

Message Text

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TAGS: ETRD, MTN, JA, US

SUBJECT: KATZ-HANAOKA MEETING, MAY 31, 1978

1. SUMMARY. MITI INTERNATIONAL TRADE POLICY DEPUTY DIRECTOR GENERAL HANAOKA AND EMBASSY COUNSELOR TANABE MET ASSISTANT SECRETARY KATZ (EB) AND DAS BARRACLOUGH MAY 31 FOR A REVIEW OF TRADE POLICY QUESTIONS. MEETING COVERED JAPAN'S MTN OFFER, JAPANESE EXPORTS OF STAINLESS STEEL FLATWARE, TRADE FACILITATION COMMITTEE (AND SEMICONDUCTOR TRADE STUDY GROUP), AND THE SECTION 301 CASE ON LEATHER. END SUMMARY.

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2. HANAOKA IS VISITING WASHINGTON AS PART OF GOJ SUMMIT PREPARATORY GROUP LED BY MOFA'S MIYAZAKI. AFTER MAY 27-30 SUMMIT PREPARATIONS ENDED, HANAOKA MET WITH AMBASSADOR WOLFF, ASSISTANT SECRETARY WEIL, TREASURY GENERAL COUNSEL MUNDHEIM, DAS HORMATS (STATE/EB), DAS HUFBAUER (TREASURY/TRADE POLICY), STR GENERAL COUNSEL RIVERS, AND DAS HEGINBOTHAM (STATE/EA). OBVIOUS PURPOSE WAS TO ASSESS

SENIOR USG THINKING ON MATTERS SUCH AS MTN, COLOR TV DUMP-
ING CASES AND POSSIBLE CUSTOMS FRAUD CASES, AND TRADE
FACILITATION COMMITTEE/TRADE STUDY GROUP DEVELOPMENTS.

3. MTN. HANAOKA SAID JAPAN HAD ITS REVISED MTN TARIFF
OFFER LIST AND WOULD PRESENT IT TO US WEEK OF JUNE 5.

BARRACLOUGH WELCOMED THIS AND SAID US HOPED TO COMPLETE
ITS OFFER ON DEFERRED ITEMS (INCLUDING ASP, "FINAL LIST",
TARIFF OFFERS, ETC.), SO IT CAN BE TABLED BY JUNE 15.
HANAOKA EXPRESSED HOPE THAT THE TARIFF TALKS COULD BE CON-
CLUDED AT THE STRAUSS-USHIBA-HAFERKAMP MEETING IN WASHING-
TON WEEK OF JUNE 19.

4. STAINLESS STEEL FLATWARE. HANAOKA SAID A GOJ EXP-
ERT WOULD VISIT WASHINGTON WEEK OF JUNE 5 TO DISCUSS THE
CASE. HE SAID THAT YEN APPRECIATION HAD REDUCED COMPETI-
TIVE POSITION OF JAPANESE STAINLESS STEEL FLATWARE
FIRMS, WHICH WERE HEAVILY CONCENTRATED GEOGRAPHICALLY. IF
THE US NOW RESTRICTED IMPORTS, THERE WOULD BE A VERY
SERIOUS DANGER OF BANKRUPTCY AMONG THE FIRMS INVOLVED,
WITH RESULTANT SOCIAL AND POLITICAL IMPACT. NATURALLY,
DIETMEN WERE WORRIED. GOJ HOPED THERE WOULD BE NO FURTHER
US RESTRICTIONS ON STAINLESS STEEL FLATWARE FROM JAPAN.
AT THE LEAST, GOJ HOPED THERE WOULD BE NO DRASTIC CHANGE
IN THE PATTERNS OF TRADE. MR. KATZ ASSURED HANAOKA THAT
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WE WOULD LOOK AT THIS QUESTION VERY CAREFULLY.

5. TRADE FACILITATION COMMITTEE/TRADE STUDY GROUPS.
HANAOKA SAID THAT GOJ WAS TRYING HARD TO RESOLVE PROBLEMS
RAISED IN THE TFC BUT THE PROBLEMS TOOK A LONG TIME TO
SOLVE. HE HIMSELF HAD PERSONALLY MET HIGH OFFICIALS
IN OTHER MINISTRIES, BUT IT WAS NECESSARY TO BE PATIENT.
THE TFC, HE SAID, SHOULD NOT BE JUDGED BY THE SUCCESSES
AND FAILURES IT ACHIEVED. MR. KATZ REPLIED THAT WE NEEDED
SOME SUCCESS STORIES. HANAOKA EXPLAINED BRIEFLY THE PRO-
BLEMS RESTRICTING ACCESS TO THE JAPANESE MARKET FOR US
CIGARETTES. THE TOBACCO AND SALT MONOPOLY RULE WAS THAT
IMPORTED CIGARETTES COULD ONLY BE SOLD IN SHOPS HAVING
SALES OVER 30 CARTONS OF FOREIGN CIGARETTES A MONTH. WITH-
OUT THIS DEGREE OF TURNOVER, THE SHOPS WOULD HAVE EXCESS
STOCKS, LOW TURNOVER, AND STALE TOBACCO, ALL OF WHICH
WOULD RUIN THE REPUTATION OF THE SMALL SHOPS. THUS THE
MONOPOLY CORPORATION WAS PROTECTING THEM BY THIS RESTRIC-
TION. AS FOR RESTRICTIONS ON ADVERTISING, THE GOJ WAS
ONLY FOLLOWING WORLD HEALTH ORGANIZATION GUIDELINES, WHICH
SUGGEST THAT ADVERTISING EXPENDITURES BE RESTRICTED TO
0.07 PERCENT OF TOTAL SALES.

6. MR. KATZ TOOK NOTE OF THE EXPLANATION. HE REMARKED THAT THE PRINCIPAL PURPOSE OF THE TFC WAS TO SOLVE PROBLEMS OF MARKET ACCESS AND THAT IT WAS HARD TO UNDERSTAND, FOR EXAMPLE, WHY THE GOJ HAS DELAYED APPROVAL OF ABBOTT LABS' MEDICAL TESTING PROCEDURE FOR SIX YEARS.

7. TSG/SEMICONDUCTORS. HANAOKA ASKED ABOUT USG PREPARATIONS TO RAISE MARKET ACCESS PROBLEMS IN THE SEMICONDUCTOR TRADE STUDY GROUP. MR. KATZ SAID THAT THIS WAS AN IMPORTANT CASE WHICH WAS WORTHY OF IN-DEPTH STUDY. WE WERE WORKING CLOSELY WITH THE SEMICONDUCTOR INDUSTRY ASSOCIATION TO DEVELOP JUST SUCH A STUDY AND WOULD DISCUSS THE RESULTS WITH THE GOJ. HANAOKA NOTED THAT THE US HAD A LIMITED OFFICIAL USE

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SURPLUS WITH JAPAN IN THE SEMICONDUCTOR TRADE AND THEREFORE SHOULD NOT BE CONCERNED; BUT BARRACLOUGH POINTED OUT THAT SEMICONDUCTOR FIRMS WERE USED TO RAPID SHIFTS AND THOUGHT IT IMPORTANT TO PLAN AHEAD.

8. LEATHER. HANAOKA EXPRESSED THE HOPE THAT THE USG WOULD UNDERSTAND THE SPECIAL PROBLEMS ASSOCIATED WITH EXPANDING IMPORTS OF LEATHER PRODUCTS INTO JAPAN. MR. KATZ SAID US FIRMS WANTED ACCESS TO THE EXISTING QUOTAS TO BEGIN MARKET DEVELOPMENT EFFORTS. HE NOTED THAT SMALL CASES SUCH AS THIS ONE (AND THROWN SILK) MUST BE HANDLED IN A POSITIVE MANNER BECAUSE OF POLITICAL PRESSURES ON BOTH SIDES. VANCE

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